

CARBON SCHOOL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

**CARBON SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
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FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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INDEPENDENT AUDITORS' REPORT

Honorable Board of Education
Carbon School District
Price, Utah 84501

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Carbon School District, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the financial section of the table of contents. These financial statements are the responsibility of Carbon School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

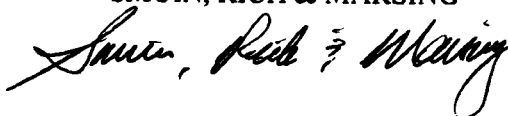
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Carbon School District, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2006, on our consideration of Carbon School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carbon School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying combining financial statements and accompanying financial information listed as supporting schedules is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING



Price, Utah

November 3, 2006

CARBON SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006 ---

As management of the Carbon School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2006. All of the financial activity results from governmental activities. The District does not have any "business-type" activities.

FINANCIAL HIGHLIGHTS

- ❖ Total revenues for the Maintenance and Operation fund (General fund) increased to \$22,235,361 in 2006 from \$21,974,399 in 2005 an increase of 1.19%. The increase is mainly attributable to an increase in property taxes and interest income, which has been offset by a decrease in other local revenue. Governmental funds (federal and state) are about the same as the previous year. The increase in tax revenue is attributable to an increase in the assessed valuation.
- ❖ Total expenditures increased for the Maintenance and Operation fund to \$21,894,961 in 2006 up from \$21,528,847 in 2005 an increase of 1.70%. The most significant increases are in instructional services and operation and maintenance of facilities.
- ❖ The District's total net assets increased by \$2,621,270. The majority of this increase was due to the results of the increase in property tax revenue and purchases of capital assets.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. 1) The government-wide financial statements comprising the Statement of Net Assets and the Statement of Activities, 2) fund financial statements, and 3) notes to the financial statements. These comprise pages 15 - 37. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 15. The Statement of Net Assets and Statement of Activities reports information about the District as a whole and about its activities in a way that helps determine if the District is better or worse off as a result of the year's activities. This information is presented in a manner similar to a private-sector business.

Government-wide financial statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the District's overall financial status.

The *government-wide financial statements* can be found on pages 15 – 16 of this report.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee benefits). All of the District's revenues and expenditures are shown in this statement.

Fund financial statements.

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- ❖ **Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital projects fund. These funds are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- ❖ **Fiduciary funds** are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups.

Notes to the financial statements.

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements comprise pages 23 – 38 of this report.

Other information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Other schedules that are helpful for District information are also presented. The District is also required to provide reports according to Government Auditing Standards, Single Audit Act and State of Utah audit compliance, which are also contained in the report.

THE DISTRICT AS A WHOLE

The District's largest portion of net assets (59%) is reflected in its investment in capital assets (e.g., land, construction in progress, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable and obligations under capital leases) used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, the resources needed to repay this debt must be provided from future sources, since the capital assets themselves cannot be liquidated to pay for these liabilities.

CARBON SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities		Total Percentage
	2005	2006	Change 2005-2006
Current and other assets	\$ 27,145,055	\$ 29,817,388	9.84%
Capital assets (net of accumulated depreciation)	30,751,620	30,777,473	0.08%
Total assets	<u>\$ 57,896,675</u>	<u>\$ 60,594,861</u>	4.66%
Long-term debt outstanding	\$ 15,371,419	\$ 14,477,016	-5.82%
Other liabilities	16,736,530	17,707,849	5.80%
Total liabilities	<u>\$ 32,107,949</u>	<u>\$ 32,184,865</u>	0.24%
Net assets:			
Invested in capital assets, net of related debt	\$ 15,880,778	\$ 16,786,844	5.71%
Restricted	7,068,586	8,948,343	26.59%
Unrestricted	2,839,358	2,674,809	-5.80%
Total net assets	<u><u>\$ 25,788,722</u></u>	<u><u>\$ 28,409,996</u></u>	10.16%

Net Assets of the District for the year ending June 30, 2006 are \$28,409,996. *Unrestricted net assets* - the part of net assets that can be used to meet the District's ongoing obligations to students, employees, and creditors - is \$2,674,809. This is a decrease over the previous year of 5.80%. Part of the balance of the unrestricted governmental net assets is earmarked for budgets amounts needed to pay for unused employee vacation, sick days and special transportation. The District will need to include these amounts in future years' budgets as they come due. When the revenues from taxes, federal and state aid and operating grants fall short of amounts originally anticipated, part of the unrestricted net asset balance will need to be used to handle the shortfalls.

At the end of the current fiscal year, the District was able to report an increase in the net assets of 10.16%. The District also had an increase in the current and other assets of 4.66%. These increases have occurred because of increases in property tax revenue and capital expenditures for construction that have occurred in the current fiscal year and continue in the next fiscal year. The additional funds received are available for restricted and unrestricted purposes.

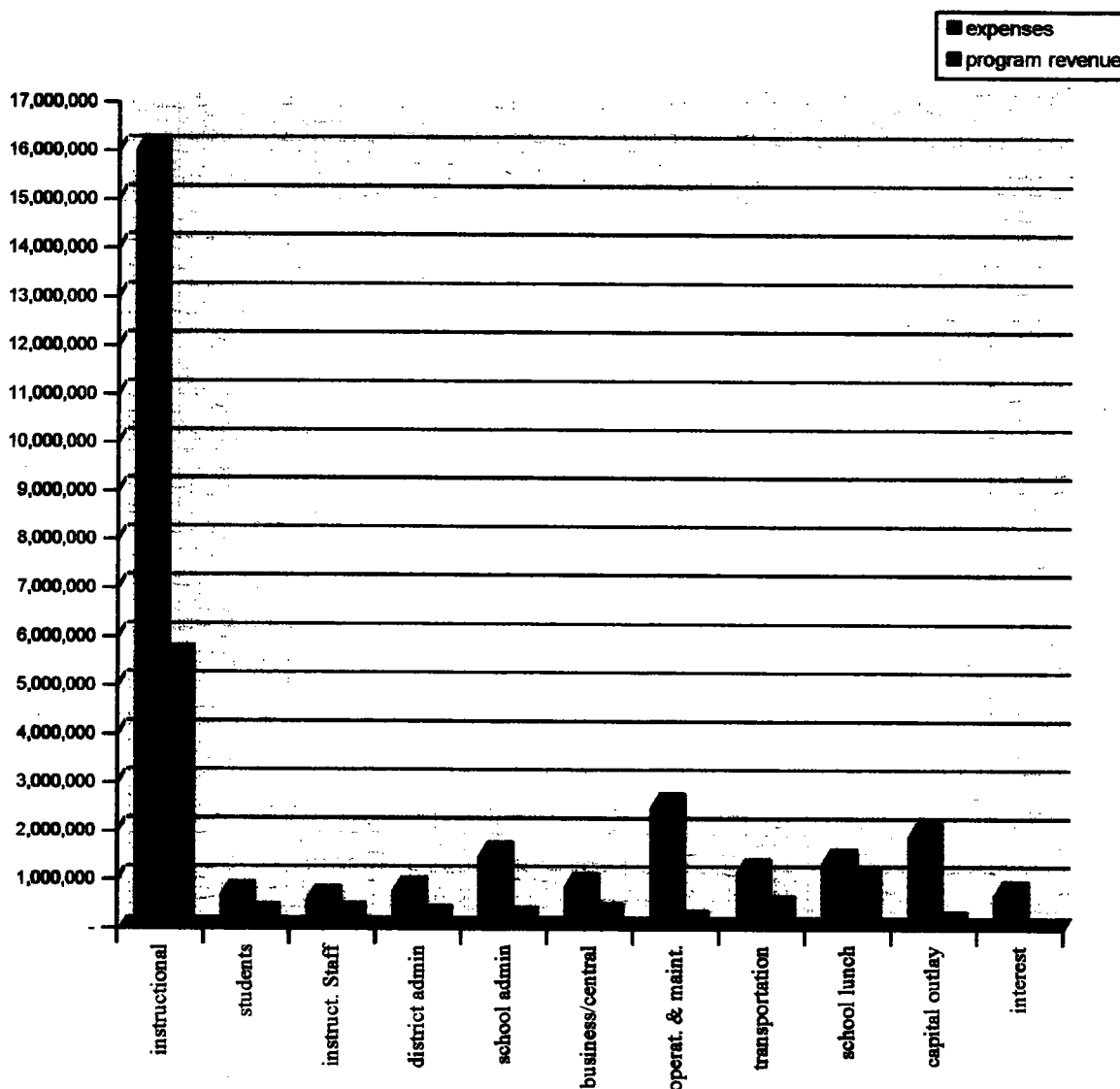
CARBON SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities		Total Percentage
	2005	2006	Change
			2005-2006
Revenues:			
Program Revenues:			
Charges for services	\$ 390,329	\$ 376,857	-3.45%
Operating grants and contributions	8,183,315	7,983,760	-2.44%
Capital grants and contributions	108,700	69,213	-36.33%
General Revenues			
Property taxes	12,008,946	12,363,830	2.96%
Federal and state aid not restricted to specific purposes	8,504,828	8,830,760	3.83%
Earnings on investments	328,491	575,720	75.26%
Miscellaneous	427,764	458,896	7.28%
Total revenues	<u>\$ 29,952,373</u>	<u>\$ 30,659,036</u>	<u>2.36%</u>
Program Expenses:			
Instructional services	\$ 15,880,334	\$ 16,022,600	0.90%
Supporting services:			
Students	653,520	679,050	3.91%
Instructional staff	703,745	589,312	-16.26%
District administration	729,075	764,297	4.83%
School administration	1,520,848	1,499,453	-1.41%
Business	774,944	857,521	10.66%
Operation and maintenance of facilities	2,430,577	2,501,226	2.91%
Transportation	1,102,427	1,156,811	4.93%
School lunch services	1,355,844	1,366,744	0.80%
Capital outlay	2,200,759	1,902,076	-13.57%
Interest on long-term liabilities	743,480	698,676	-6.03%
Total expenses	<u>\$ 28,095,553</u>	<u>\$ 28,037,766</u>	<u>-0.21%</u>
Increase in net assets	<u>\$ 1,856,820</u>	<u>\$ 2,621,270</u>	<u>41.17%</u>
Net Assets - beginning	<u>23,931,906</u>	<u>25,788,726</u>	<u>7.76%</u>
Net Assets - ending	<u><u>\$ 25,788,726</u></u>	<u><u>\$ 28,409,996</u></u>	<u><u>10.16%</u></u>

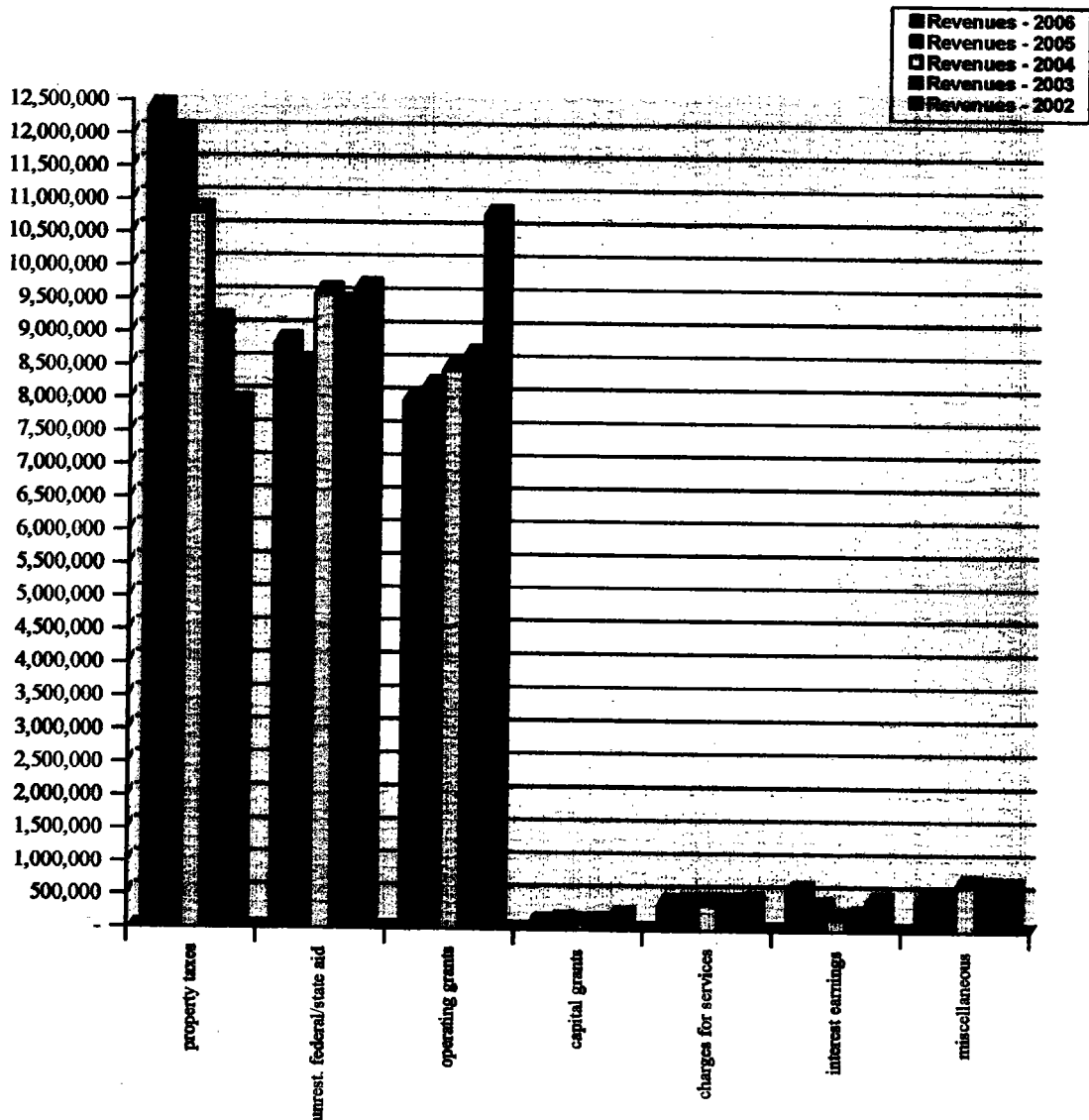
The District's total revenue increased by 2.36% (\$706,663). The increase in revenue is a combination of several revenue sources, the largest being earnings on investments. The District is still experiencing a decrease in student enrollment, which is reflected in funds received from the minimum school program, as administered by the State of Utah. This revenue source is based upon WPU's (weighted pupil units). If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local taxes do not provide money equal to the guarantee, it will make up the difference with "state aid". Certain special students receive a weighting greater than one.

The District's total expenses decreased by .21% (\$57,787). The decrease in the expenditures is negligible when compared to overall expenses from the previous year.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information can be useful to the District in assessing financing requirements. The unreserved fund balance is divided between designated and undesignated balances. The District has designated some of the unreserved fund balance for certain government-wide liabilities and post employment obligations that are not recognized in the governmental funds. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

General fund. The general fund is the chief operating fund of the District. The general fund had at the end of the current fiscal year, unreserved and undesignated fund balance of \$1,321,326, while the total fund balance was \$3,169,325. The unreserved and undesignated fund balance decreased by \$98,819, while the total fund balance increased by \$395,540 during the current fiscal year. Some of the key factors for this decrease and increase are as follows:

- ❖ Property tax revenue has increased by \$354,884 or 2.96% primarily from increases in taxable value of property.
- ❖ State and Federal aid combined increased by \$86,890. State aid increased by \$193,099, and Federal aid decreased by \$106,209 in comparison with the prior year.

Expenditures for general fund purposes totaled \$21,894,961, an increase of 1.70% during the current fiscal year. This increase has been attributable to increases in instructional and several supporting services expenditures due to increases in salaries for teachers and full-time equivalent staff. Also, operations and maintenance of facilities increased during the current fiscal year.

Capital Projects fund. The capital projects fund had a total fund balance of \$7,020,779, of which \$4,686,992 has been obligated currently for acquisition of capital assets. The remainder is designated for future acquisition of capital assets, purchase of supplies, and related expenditures. The fund balance increased by \$1,025,771 during the current fiscal year, due to increases in property tax revenue and a significant decrease in capital outlay expenditures.

Debt Service fund. The debt service fund had a total fund balance of \$109,829, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance increased by \$2,025, during the current year, due to a slight increase in debt service revenue (taxes) and a small decrease in debt service payments (principal and interest).

School Lunch fund. The school lunch fund is a special revenue fund. The fund balance total at the end of the current year is \$601,139, all of which is restricted to the school lunch program.

Non K-12 fund. The non K-12 fund is also a special revenue fund. The fund had a total fund balance of \$1,243,007, all of which is restricted to the non K-12 programs.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget and the final amended budget was a decrease of \$208,866 or .92% of total general fund expenditures. The changes are summarized as follows:

- ♦ \$ 132,000 decrease in – instructional services
- ♦ \$ 125,000 decrease in supporting services – students
- ♦ \$ 33,000 increase in supporting services – instructional staff
- ♦ \$ 124,786 increase in supporting services – district administration
- ♦ \$ 166,265 decrease in supporting services – school administration
- ♦ \$ 84,200 increase in supporting services – business/central
- ♦ \$ 21,500 decrease in supporting services – operation and maintenance of facilities

GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

- ♦ \$ 8,087 decrease in supporting services – transportation
- ♦ \$ 2,000 increase in – debt service payments (principal and interest)

During the year, final budgeted revenues increased by \$ 4,591. The District has anticipated decreasing the undesignated fund balance, because the final budgeted expenditures were more than the final budgeted revenues by \$417,965.

During the current fiscal year, there was a \$203,010 favorable budget to actual variance in total general fund revenues, and a \$610,487 favorable budget to actual variance in total general fund expenditures. The most significant negative budget variances for revenue occurred in property taxes \$145,054 and federal aid \$118,425. The most significant positive budget variances for expenditures occurred in instructional services \$228,816, supporting services – instructional staff \$161,736 and operation and maintenance of facilities \$117,241.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$30,777,473 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles and buses. The total increase for the District in the current fiscal year was \$25,853, or .08% increase from last year.

Capital Assets at Year-end (Net of Depreciation) 2006

	<u>Governmental activities</u>	
	<u>2006</u>	
Land	\$	3,549,799
Construction in progress		1,693,631
Buildings and improvements		23,860,451
Furniture and equipment		1,673,592
Net capital assets	\$	<u>30,777,473</u>

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

This year's major additions included:

Construction on Carbon High School	\$ 797,147
Paid by capital projects funds previous year (Construction in progress current year)	
Construction on various other schools	189,338
Paid by capital projects funds previous year	
Equipment/automobiles – buses and automobiles	309,329

Debt Administration. At the end of the current fiscal year, the District had a total bonded debt outstanding of \$13,982,500 and capital leases of \$78,820. This represents a decrease in these debt figures by \$891,047, or 5.9%.

Carbon School District's Outstanding Debt

	<u>Governmental Activities</u>
	<u>2006</u>
General obligation bonds	\$ 13,982,500
Total General obligation bonds	<u>\$ 13,982,500</u>
Capital leases	\$ 78,820
Total liabilities	<u>\$ 78,820</u>
Note payable - asbestos	\$ 20,535
Total net assets	<u>\$ 20,535</u>
Total outstanding debt (no accrued vacation)	<u>\$ 14,081,855</u>

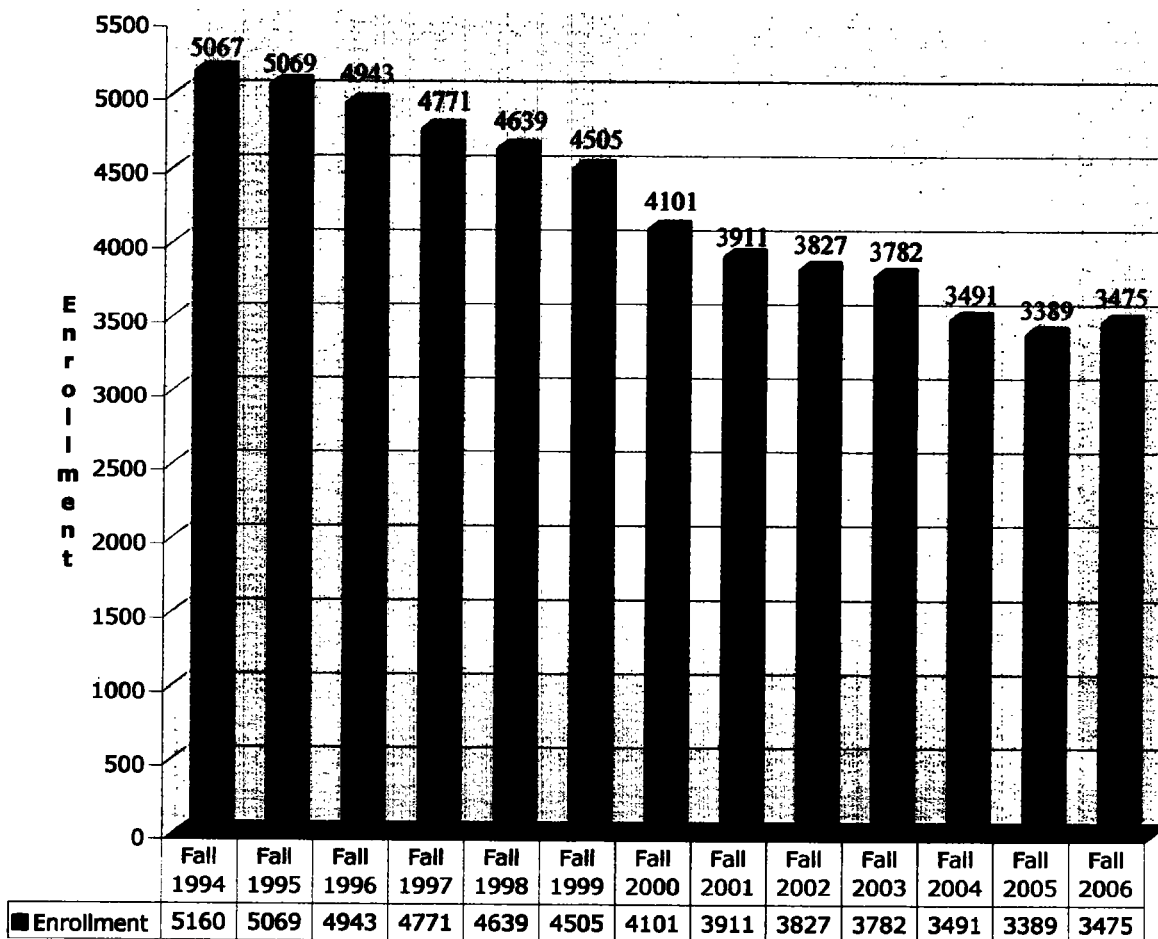
Other obligations include \$395,161 of accrued vacation pay.

ECONOMIC FACTORS AND FUTURE BUDGETS

ECONOMIC FACTORS AND FUTURE BUDGETS:

Over the past few years the District has been impacted by a declining enrollment as shown in the following chart:

Carbon School District Annual Fall Enrollments



Since 1994, the Carbon School District has experienced decreasing student enrollments, which resulted in lower funding levels. This trend has now leveled off and the District recorded a small increase in enrollment for the 2006-2007 school year. During the 2004 through 2006 years, the District received hold harmless payments from the state. These payments were not used to fund ongoing expenses. They were used to increase the District's fund balances and reserves and to give employees one-time supplemental payments. With the increasing enrollments, the District will no longer receive these one-time payments.

The Carbon School District is dependent upon the Utah State Legislature for ongoing funding particularly in the General Fund. During the past two years, the state has experienced a very healthy economy and it appears that at least in the near future, funding from the state should continue to grow.

During the 2006 school year, the East Carbon High School was demolished and a new small elementary school is being built in its place to replace the Petersen Elementary School. This school will serve the East Carbon area. The Petersen Elementary School was one of the oldest buildings in the district and in need of extensive remodeling and repair. The Board of Education determined that in the long run it would be more economical to replace the building than to repair it. The new building will provide new energy efficient mechanical systems and lower maintenance costs. This building is being built with funds from the District's capital outlay fund, which has a more than adequate balance to fund this project.

In November of 2006, the District issued \$6,905,000 of bonds to refund \$7,000,000 of bonds that were issued in 2001. This refunding will result in a savings to the District of \$219,248 over the life of the bonds.

The District currently offers a limited early retirement program to qualifying employees. The District has begun taking steps to limit the liability created by this program. Employees hired after December 31, 2006 are not eligible to participate in this program. An actuarial study of this program has been completed and the District will be talking with employee groups to trim benefits under the program to a level that is affordable and sustainable.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community and all those interested in the school district with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Business Administrator, Carbon County School District, at P. O. Box 1438 Price, Utah.

**CARBON SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	<u>GOVERNMENTAL ACTIVITIES</u>
 <u>ASSETS</u>	
Cash and investments	\$ 15,576,257
Receivables:	
Property taxes	12,135,739
Other governments	1,269,045
Prepays and deposits	251,992
Inventories	584,355
Capital assets:	
Land and construction in progress	5,243,429
Other capital assets, net of accumulated depreciation	<u>25,534,044</u>
Total assets	<u>\$ 60,594,861</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 1,508,461
Accrued interest	26,411
Accrued salaries	1,416,554
Bond premium	8,129
Deferred revenue:	
Property taxes	13,102,108
Other governments	1,646,186
Noncurrent liabilities:	
Due within one year	953,235
Due in more than one year	<u>13,523,781</u>
Total liabilities	<u>\$ 32,184,865</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	\$ 16,786,844
Restricted for:	
School lunch	601,139
Non K-12 programs	1,243,007
Capital projects	7,020,779
Debt service	83,418
Unrestricted	<u>2,674,809</u>
Total net assets	<u>\$ 28,409,996</u>

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
Governmental activities:					
Instructional services	\$ 16,022,600	\$ 56,969	\$ 5,486,458		\$ (10,479,173)
Supporting services:					
Students	679,050		225,702		(453,348)
Instructional staff	589,312		245,877		(343,435)
District administration	764,297		192,234		(572,063)
School administration	1,499,453		148,222		(1,351,231)
Business/central	857,521		237,470		(620,051)
Operation and maintenance of facilities	2,501,226		86,762		(2,414,464)
Transportation	1,156,811		392,942		(763,869)
School lunch services	1,366,744	319,888	968,093		(78,763)
Capital outlay	1,902,076			\$ 69,213	(1,832,863)
Interest on long-term liabilities	698,676				(698,676)
Total governmental activities	\$ 28,037,766	\$ 376,857	\$ 7,983,760	\$ 69,213	\$ (19,607,936)
Total school district	\$ 28,037,766	\$ 376,857	\$ 7,983,760	\$ 69,213	\$ (19,607,936)
General revenues:					
Property taxes levied for:					
General purposes					\$ 5,828,708
Transportation					521,348
Recreation					391,269
Debt service					1,582,713
Capital outlay					4,039,792
Federal and state aid not restricted to specific purposes					8,830,760
Earnings on investments					575,720
Gain on sale of fixed assets					47,085
Miscellaneous					411,811
Total general revenues and transfers					\$ 22,229,206
Change in net assets					\$ 2,621,270
Net assets - beginning					25,788,726
Net assets - ending					\$ 28,409,996

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and investments	\$ 6,411,597	\$ 7,283,615	\$ 1,881,045	\$ 15,576,257
Due from other governmental units	1,077,766	51,424	139,855	1,269,045
Inventory	472,959		111,396	584,355
Property taxes receivable	6,194,492	4,131,258	1,809,989	12,135,739
Prepays and deposits	251,992			251,992
Total assets	<u>\$ 14,408,806</u>	<u>\$ 11,466,297</u>	<u>\$ 3,942,285</u>	<u>\$ 29,817,388</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 1,173,581	\$ 314,260	\$ 20,620	\$ 1,508,461
Accrued salaries and liabilities	1,361,457		55,097	1,416,554
Deferred revenue:				
Property taxes	7,160,861	4,131,258	1,809,989	13,102,108
Other governments	1,543,582		102,604	1,646,186
Total liabilities	<u>\$ 11,239,481</u>	<u>\$ 4,445,518</u>	<u>\$ 1,988,310</u>	<u>\$ 17,673,309</u>
Fund balances:				
Reserved for:				
Debt service			\$ 109,829	\$ 109,829
Construction commitments		\$ 4,686,992		4,686,992
Unreserved:				
Designated for:				
Undistributed reserve	\$ 300,000			300,000
Special transportation	650,517			650,517
Tort liability	197,482			197,482
Employee benefit obligations	700,000			700,000
Undesignated, reported in:				
General fund	1,321,326			1,321,326
Special revenue funds			1,844,146	1,844,146
Capital projects fund		2,333,787		2,333,787
Total fund balances	<u>\$ 3,169,325</u>	<u>\$ 7,020,779</u>	<u>\$ 1,953,975</u>	<u>\$ 12,144,079</u>
Total liabilities and fund balances	<u>\$ 14,408,806</u>	<u>\$ 11,466,297</u>	<u>\$ 3,942,285</u>	<u>\$ 29,817,388</u>

"The notes to the financial statements are an integral part of this statement."

CARBON SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds:	\$ 12,144,079
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$53,835,415 and the accumulated depreciation is \$23,057,942.	30,777,473
To recognize interest accrual to year end. Accrued interest for general obligation bonds is \$25,926 and accrued interest for obligations under capital leases is \$485.	(26,411)
Bond issuance premium is reported as revenue in the governmental funds. The premium is \$13,547 and the accumulated reduction in interest expense is \$5,418.	(8,129)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(14,477,016)</u>
Net assets of government activities	<u>\$ 28,409,996</u>

"The notes to the financial statements are an integral part of this statement."

CARBON SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Property taxes	\$ 6,350,056	\$ 4,039,792	\$ 1,973,982	\$ 12,363,830
Earnings on investments	431,790	143,930		575,720
School lunch sales			319,888	319,888
Other local sources	398,040		14,859	412,899
State aid	13,385,900		520,061	13,905,961
Federal aid	1,669,575	51,424	1,256,773	2,977,772
Total revenues	\$ 22,235,361	\$ 4,235,146	\$ 4,085,563	\$ 30,556,070
EXPENDITURES:				
Current:				
Instructional services	\$ 14,246,684		\$ 924,671	\$ 15,171,355
Supporting services:				
Students	670,952			670,952
Instructional staff	543,264			543,264
District administration	703,737			703,737
School administration	1,469,881			1,469,881
Business/central	846,036			846,036
Operation and maintenance of facilities	2,421,259			2,421,259
Transportation	955,789			955,789
School lunch services			1,305,426	1,305,426
Capital outlay		\$ 3,312,343		3,312,343
Debt service:				
Principal retirement	31,079		883,367	914,446
Interest and fiscal charges	6,280		697,321	703,601
Total expenditures	\$ 21,894,961	\$ 3,312,343	\$ 3,810,785	\$ 29,018,089
Excess revenues over (under) expenditures	\$ 340,400	\$ 922,803	\$ 274,778	\$ 1,537,981
OTHER FINANCING SOURCES (USES):				
Capital lease proceeds	\$ 55,140			\$ 55,140
Insurance proceeds		\$ 55,883		55,883
Sale of capital assets		47,085		47,085
Total other financing sources (uses)	\$ 55,140	\$ 102,968	\$...	\$ 158,108
Excess of revenues and other sources over (under) expenditures and other uses	\$ 395,540	\$ 1,025,771	\$ 274,778	\$ 1,696,089
FUND BALANCES - beginning of year	2,773,785	5,995,008	1,679,197	10,447,990
FUND BALANCES - end of year	\$ 3,169,325	\$ 7,020,779	\$ 1,953,975	\$ 12,144,079

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	1,696,089
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,372,658	
Depreciation expense	<u>(1,346,804)</u>	25,854

Fixed assets acquired by capital leases are shown as an expenditure and other financing source in the governmental funds. Equipment financed by the lease is less than the District's capitalization threshold; the District has elected to expense the equipment. The other financing source must be removed from the statement of activities, principal payments are applied to the lease liability; interest expense is recognized as it accrues.

Other financing source - capital lease	\$ (55,140)	
Interest expense - capital leases	91	
Principal payments of capital assets	<u>68,688</u>	13,639

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 883,367	
Interest expense - general obligation bonds	2,123	
Amortization of bond premium	<u>2,709</u>	888,199

In the statement of activities, certain operating expenses--compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates)-- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable increased by \$ 2,511.

Change in net assets of governmental activities	\$	<u>2,621,270</u>
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"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
REVENUES:				
Property taxes	\$ 6,237,564	\$ 6,495,110	\$ 6,350,056	\$ (145,054)
Earnings on investments	250,000	350,000	431,790	81,790
Other local sources	561,060	455,000	398,040	(56,960)
State aid	13,011,268	12,999,373	13,385,900	386,527
Federal aid	2,023,000	1,788,000	1,669,575	(118,425)
Total revenues	\$ 22,082,892	\$ 22,087,483	\$ 22,235,361	\$ 147,878
EXPENDITURES:				
Current:				
Instructional services	\$ 14,607,500	\$ 14,475,500	\$ 14,246,684	\$ 228,816
Supporting services:				
Students	852,000	727,000	670,952	56,048
Instructional staff	672,000	705,000	543,264	161,736
District administration	584,714	709,500	703,737	5,763
School administration	1,610,000	1,443,735	1,469,881	(26,146)
Business/central	774,800	859,000	846,036	12,964
Operation and maintenance of facilities	2,560,000	2,538,500	2,421,259	117,241
Transportation	1,014,300	1,006,213	955,789	50,424
Debt service:				
Principal retirement	30,000	32,000	31,079	921
Interest and fiscal charges	9,000	9,000	6,280	2,720
Total expenditures	\$ 22,714,314	\$ 22,505,448	\$ 21,894,961	\$ 610,487
Excess of revenue over (under) expenditures	\$ (631,422)	\$ (417,965)	\$ 340,400	\$ 758,365
OTHER FINANCING SOURCES (USES):				
Capital lease proceeds			\$ 55,140	\$ 55,140
Total other financing sources (uses)	\$...	\$...	\$ 55,140	\$ 55,140
Net change in fund balances	\$ (631,422)	\$ (417,965)	\$ 395,540	\$ 813,505
FUND BALANCES - beginning of year	631,422	2,773,785	2,773,785	
FUND BALANCES - end of year	\$...	\$ 2,355,820	\$ 3,169,325	\$ 813,505

"The notes to the financial statements are an integral part of this statement."

CARBON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>STUDENT ACTIVITY</u>
	<u>AGENCY FUND</u>
 <u>ASSETS</u>	
Cash and investments	\$ 381,064
Total assets	<u>\$ 381,064</u>
 <u>LIABILITIES</u>	
Due student groups	\$ 279,178
Due school activities	<u>101,886</u>
Total liabilities	<u>\$ 381,064</u>

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Carbon School District has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis*—for State and Local Governments. Certain of the significant changes in the Statement include the following:

- The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

- Change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. All financial activities over which the District has oversight responsibilities are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operation, and accountability for fiscal matter. According to the above criteria, no other entities have been included in the District's financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

B. **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.
- The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Additionally, the government reports the following fund type:

- The student activities agency fund (a fiduciary fund) accounts for assets held on behalf of student groups.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all property taxes.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

D. **Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted for the trust or agency funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30th.
- Copies of the proposed budget are made available for public inspection and by review of the patrons of the District.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent, can approve reductions in appropriations but increases in appropriations by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
- Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2004, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

E. **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

F. **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

G. **Inventories and Prepaid Items**

Inventories are valued at cost, with the exception of the treatment of donated inventories described below, and the District uses the first-in, first-out (FIFO) method. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Federal food commodities inventory is disclosed separately with an offset to reserved fund balance. Federal food commodities inventory is valued according to published price lists provided by the U.S. Department of Agriculture.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

H. **Capital Assets**

Capital assets, which include land, buildings, improvements, vehicles, technology and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines Capital Assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, vehicles, technology and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Improvements	20
Vehicles	5-8
Technology	5
Equipment	5-20

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

I. **Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits. Employees may accumulate up to 140 days and will be paid \$15.00 for each day that is vested for sick days. Days accumulated in excess of 140 days are paid at \$45 per day. Also, if the individual is no longer an employee of the School District, the accumulated sick days are paid at the same rate. Actual liability for vacation has been computed using current pay rate per day for each employee multiplied by the number of days of vacation.

J. **Early Retirement**

The District has adopted a policy to permit eligible employees to take an early retirement. The District will pay, up to three years, annual pension benefits equal to twenty percent of the employees current contract salary. During the early retirement period, the District continues to pay for health and accident insurance as part of the District's insurance plan for up to seven years, if the employee had at least twenty years of service. An amount has been reserved for the liability in the government-wide financial statements.

K. **Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. **DEPOSITS AND INVESTMENTS**

Deposits and investing for the District is governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

2. DEPOSITS AND INVESTMENTS (Continued)

Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2006, the District's bank balance of cash on deposit was \$ 2,334,809, of this amount \$128,772 was insured. The remaining \$2,206,037 of the deposits are uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A: or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

2. DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Pool	\$ 12,938,599	\$ 12,938,599			
Total Investments	\$ 12,938,599	\$ 12,938,599	\$...	\$...	\$...

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, banker's acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments, but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Pool	\$ 12,938,599				\$ 12,938,599
Total Investments	\$ 12,938,599	\$...	\$...	\$...	\$ 12,938,599

2. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of June 30, 2006, the District had \$ 12,938,599 invested in the Public Treasurer's Investment Fund and was held by them.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Carbon County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty.

If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2006, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2005 and earlier and 2) taxes assessed as of January 1, 2006, but are not due and payable until November 30, 2006. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

3. **PROPERTY TAXES (Continued)**

Beginning January 1, 1992, there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes age-based fee as revenue when the County collects it.

4. **CAPITAL ASSETS**

The Capital asset activity for Carbon School District for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,549,799			\$ 3,549,799
Construction in progress	<u>896,483</u>	<u>\$ 797,148</u>		<u>1,693,631</u>
Total capital assets not being depreciated	<u>\$ 4,446,282</u>	<u>\$ 797,148</u>	<u>\$...</u>	<u>\$ 5,243,430</u>
Capital assets being depreciated:				
Buildings	\$ 43,336,355	\$ 189,338		\$ 43,525,693
Equipment	1,488,982	76,844		1,565,826
Vehicles	<u>3,309,203</u>	<u>309,329</u>	<u>\$ (118,064)</u>	<u>3,500,468</u>
Total capital assets being depreciated	<u>\$ 48,134,540</u>	<u>\$ 575,511</u>	<u>\$ (118,064)</u>	<u>\$ 48,591,987</u>

4. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Accumulated depreciation for:				
Buildings	\$ 18,687,056	\$ 978,186		\$ 19,665,242
Equipment	958,036	119,837		1,077,873
Vehicles	<u>2,184,110</u>	<u>248,783</u>	<u>\$ (118,064)</u>	<u>2,314,829</u>
Total accumulated depreciation	<u>\$ 21,829,202</u>	<u>\$ 1,346,806</u>	<u>\$ (118,064)</u>	<u>\$ 23,057,944</u>
Total capital assets, being depreciated, net	<u>\$ 26,305,338</u>	<u>\$ (771,295)</u>	<u>\$...</u>	<u>\$ 25,534,043</u>
Governmental activities capital assets, net	<u><u>\$ 30,751,620</u></u>	<u><u>\$ 25,853</u></u>	<u><u>\$...</u></u>	<u><u>\$ 30,777,473</u></u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:

Instructional services	\$ 851,245
Supporting services	
Students	8,098
Instructional staff	46,048
District administration	60,560
School administration	27,061
Business/central services	11,485
Operational and maintenance services	79,967
Transportation services	201,022
School lunch	<u>61,318</u>
Total depreciation expense - governmental activities	<u><u>\$ 1,346,804</u></u>

4. **CAPITAL ASSETS (Continued)**

The District is obligated at June 30, 2006, under construction commitments as follows:

<u>Project</u>	<u>Project Authorized</u>	<u>Costs to Date</u>	<u>Costs to Complete</u>
School remodeling-various locations	<u>\$ 4,686,992</u>	<u>\$...</u>	<u>\$ 4,686,992</u>

A reservation of fund balance for construction commitments in the capital projects fund has been established to fulfill the required costs to complete at June 30, 2006.

5. **PENSION PLAN**

As of June 30, 2006, Carbon School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the State and School contributory Retirement Systems are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and Carbon School District is required to contribute 8.890% of their annual covered salary. In the State and School Noncontributory Retirement System the Carbon School District is required to contribute 13.380% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

5. PENSION PLAN (Continued)

The Carbon School District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$32,402, \$35,812 and \$27,480 respectively and for the Noncontributory Retirement System the Contributions for June 30, 2006, 2005 and 2004 were \$1,716,379, \$1,714,282 and \$1,524,877 respectively. The contributions were equal to the required contributions for each year.

401(k) Defined Contribution Plan – The employees of Carbon School District also participated in a 401(k) deferred compensation plan to supplement retirement benefits accrued by participate in the Systems. Employees covered by the State and School Noncontributory Retirement Systems have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2006, 2005, and 2004 are \$220,132, \$212,771 and \$197,273, respectively; employee contributions for the years ending June 30, 2006, 2005 and 2004 are \$347,103, \$349,180 and \$374,119, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

6. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Bonds payable:				
General obligation bonds	\$ 14,860,000		\$ (877,500)	\$ 13,982,500
Deferred amounts for issuance premium	10,838		(2,709)	8,129
Total bonds payable, net	<u>\$ 14,870,838</u>	<u>\$...</u>	<u>\$ (880,209)</u>	<u>\$ 13,990,629</u>
Obligations under capital leases	\$ 92,367	\$ 34,387	\$ (47,934)	\$ 78,820
Accrued vacation	392,650	2,511		395,161
Note payable - asbestos	26,402		(5,867)	20,535
Total governmental activity long-term liabilities	<u>\$ 15,382,257</u>	<u>\$ 36,898</u>	<u>\$ (934,010)</u>	<u>\$ 14,485,145</u>

Payments on the general obligation bonds are made by the debt service fund with property taxes. The obligations under capital leases and note payable are paid by the general fund. The accrued vacation will be paid by the fund in which the employee worked.

6. **LONG-TERM DEBT (Continued)**

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2006, including interest payments are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 922,500	\$ 652,705	\$ 1,575,205
2008	970,000	606,490	1,576,490
2009	1,015,000	556,698	1,571,698
2010	1,075,000	512,778	1,587,778
2011	1,050,000	502,652	1,552,652
2012-2016	5,310,000	1,283,326	6,593,326
2017-2021	3,640,000	844,025	4,484,025
	<u>\$ 13,982,500</u>	<u>\$ 4,958,674</u>	<u>\$ 18,941,174</u>

General Obligation Bonds – General obligation school building bonds payable at June 30, 2006, with their outstanding balance are comprised of the following individual issues:

\$250,000 1986 general obligation school building bonds, due in annual installments of \$12,500, beginning January 1, 2004 through January 1, 2007, non-interest bearing.	\$ 12,500
\$3,540,000 1989 general obligation school building bonds, due in annual installments of \$240,000 to \$610,000, beginning June 15, 2004 through June 15, 2009, interest from 7.10% to 7.20%.	1,695,000
\$7,000,000 2001 general obligation school building bonds, due in annual installments of \$500,000 to \$800,000, beginning June 15, 2011 through June 15, 2021, interest from 4.75% to 5.00%	7,000,000
\$3,000,000 2002 general obligation school building bonds, due in annual installments of \$550,000 to \$650,000, beginning June 15, 2011 through June 15, 2015, interest from 4.20% to 4.65%.	3,000,000
\$3,400,000 2003 general obligation refunding bonds, due in annual installments of \$370,000 to \$1,075,000, beginning June 15, 2004 through June 15, 2010, interest from 2.25% to 2.75%.	<u>2,275,000</u>
	<u>\$ 13,982,500</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2006, is \$68,725,361. General obligation debt at June 30, 2006 is \$13,982,500, resulting in a legal debt margin of \$54,742,861.

7. **CAPITAL LEASES**

Carbon School District has entered into lease agreements as lessee for financing the acquisition of copy machines, weight lifting equipment and other equipment to be used by the District personnel and students. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The District has had an ongoing purchasing of copy machines in the past and will continue in the future. The District added new leases of \$34,387 in the current year ended June 30, 2006.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, are as follows:

Years Ending <u>June 30,</u>	Governmental <u>Activities</u>
2007	\$ 28,837
2008	22,606
2009	19,140
2010	16,546
2011	1,094
Total minimum lease payments	\$ 88,223
Less: amount representing interest	(9,403)
Present value of minimum lease payment	<u>\$ 78,820</u>

8. **CONTINGENT LIABILITIES**

The amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. The disbursement of funds received under these programs is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other funds that have received the grants. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

9. **RISK MANAGEMENT**

The District also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund.

9. **RISK MANAGEMENT (Continued)**

Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. The Utah State Risk Management Fund (USRMF) is public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to USRMF; USRMF obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the districts pay experienced rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year.

10. **DESIGNATED FOR UNDISTRIBUTED RESERVE**

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the following fiscal year's total general fund budgeted revenues. The expenditure of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

11. **RECEIVABLES**

Receivables for the government's individual major funds and non-major funds as of June 30, 2006, are as follows:

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
Due from other governments:				
State funds	\$ 8,147		\$ 4,176	\$ 12,323
Federal funds	<u>1,069,619</u>	<u>\$ 51,424</u>	<u>135,679</u>	<u>1,256,722</u>
Total	<u>\$ 1,077,766</u>	<u>\$ 51,424</u>	<u>\$ 139,855</u>	<u>\$ 1,269,045</u>
Property taxes	<u>\$ 6,194,492</u>	<u>\$ 3,589,182</u>	<u>\$ 1,749,060</u>	<u>\$ 11,532,734</u>

12. **BUDGETARY COMPLIANCE**

The School District has not overspent any funds.

13. OTHER COMMITMENTS

The School District has committed a significant portion of the Capital Projects fund balance for a major school project improvement during 2006-07 year. The amount of the project is estimated to be about \$4,500,000. The District has sufficient funds to pay for this project and does not have to borrow funds for the renovations.

14. SUBSEQUENT EVENTS

The District has entered into a refunding issue of the general obligation debt in the current fiscal year. This has been a significant savings to the District of over \$218,000. The District was able to take advantage of reduced interest rates on existing general obligation debt for these savings.

15. OTHER POST EMPLOYMENT BENEFITS

The District is in the process of restructuring their post employment benefits and has put a sunset on the post employment benefits. The State Office of Education has had an actuarial process a report that identifies potential costs associated with OPEB and will help the District comply with GASB 45 and 47 disclosures. The District has not yet determined their course of action, but has the potential costs from the study to help make a better decision.

**CARBON SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>SPECIAL REVENUE</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>SCHOOL LUNCH</u>	<u>NON K-12 PROGRAMS</u>	<u>DEBT SERVICE</u>	
<u>ASSETS</u>				
Cash and investments	\$ 489,910	\$ 1,281,306	\$ 109,829	\$ 1,881,045
Inventory	111,396			111,396
Due from other governments	29,244	110,611		139,855
Property taxes receivable		397,457	1,412,532	1,809,989
Total assets	<u>\$ 630,550</u>	<u>\$ 1,789,374</u>	<u>\$ 1,522,361</u>	<u>\$ 3,942,285</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 11,748	\$ 8,872		\$ 20,620
Accrued salaries and liabilities	17,663	37,434		55,097
Deferred revenue:				
Property taxes		397,457	\$ 1,412,532	1,809,989
Other governments		102,604		102,604
Total liabilities	<u>\$ 29,411</u>	<u>\$ 546,367</u>	<u>\$ 1,412,532</u>	<u>\$ 1,988,310</u>
Fund balances:				
Reserved for Debt Service			\$ 109,829	\$ 109,829
Designated for Preschool and Adult Education		\$ 1,243,007		1,243,007
Unreserved, undesignated	\$ 601,139			601,139
Total fund balances	<u>\$ 601,139</u>	<u>\$ 1,243,007</u>	<u>\$ 109,829</u>	<u>\$ 1,953,975</u>
Total liabilities and fund balance	<u>\$ 630,550</u>	<u>\$ 1,789,374</u>	<u>\$ 1,522,361</u>	<u>\$ 3,942,285</u>

CARBON SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>SPECIAL REVENUE</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>SCHOOL LUNCH</u>	<u>NON K-12 PROGRAMS</u>	<u>DEBT SERVICE</u>	
REVENUES:				
Property tax		\$ 391,269	\$ 1,582,713	\$ 1,973,982
Lunch sales	\$ 319,888			319,888
Other local revenues		14,859		14,859
State aid	164,945	355,116		520,061
Federal aid	803,148	453,625		1,256,773
Total revenues	<u>\$ 1,287,981</u>	<u>\$ 1,214,869</u>	<u>\$ 1,582,713</u>	<u>\$ 4,085,563</u>
EXPENDITURES:				
Current:				
Instructional services		\$ 924,671		\$ 924,671
School lunch services	\$ 1,305,426			1,305,426
Debt Service:				
Principal retirement			\$ 883,367	883,367
Interest and fiscal charges			697,321	697,321
Total expenditures	<u>\$ 1,305,426</u>	<u>\$ 924,671</u>	<u>\$ 1,580,688</u>	<u>\$ 3,810,785</u>
Excess of revenues over (under) expenditures	\$ (17,445)	\$ 290,198	\$ 2,025	\$ 274,778
Fund Balances - Beginning of year	618,584	952,809	107,804	1,679,197
Fund Balances - End of year	<u>\$ 601,139</u>	<u>\$ 1,243,007</u>	<u>\$ 109,829</u>	<u>\$ 1,953,975</u>

CARBON SCHOOL DISTRICT
SCHEDULE OF PROPERTY TAX CERTIFIED RATE
FOR THE PAST SIX YEARS
FOR THE YEAR ENDED JUNE 30, 2006

	CERTIFIED RATE					
	2000	2001	2002	2003	2004	2005
Maintenance and Operation -						
Basic program	.001881	.001785	.001807	.001825	.001800	.001720
Voted leeway	.000210	.000179	.000188	.001100	.001100	.001100
Board approved				.000188	.000188	.000188
Judgement recovery		.000431				
Subtotal	.002091	.002395	.001995	.003113	.003088	.003008
Capital Outlay and Debt Service -						
Basic program	.002254	.002273	.001370	.001365	.001356	.001404
10% additional basic	.001003	.000973	.000823	.000882	.000723	.000685
Subtotal	.003257	.003246	.002193	.002247	.002079	.002089
Recreation	.000161	.000168	.000258	.000273	.000260	.000202
Tort liability	.000026	.000019	.000021	.000022	.000021	.000021
Transportation	.000294	.000282	.000300	.000300	.000286	.000270
General Obligation Debt			.000964	.001035	.000861	.000816
Total certified rate	.005829	.006110	.005731	.006990	.006595	.006406

CARBON SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
SCHOOL LUNCH PROGRAM OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006

	TOTAL	CASTLE HEIGHTS	CREEKVIEW	SALLY MAURO	PETERSEN ELEMENTARY	WELLINGTON
REVENUES:						
School lunch sales (Schedule 13)	\$ 319,888	\$ 53,274	\$ 44,284	\$ 34,106	\$ 768	\$ 36,282
State reimbursement	164,945	19,908	22,924	19,085	9,692	21,135
Federal reimbursement	803,148	89,594	109,160	93,749	55,020	102,763
Total revenues	\$ 1,287,981	\$ 162,776	\$ 176,368	\$ 146,940	\$ 65,480	\$ 160,180

EXPENDITURES:

Salaries	\$ 426,012	\$ 59,415	\$ 55,852	\$ 55,249	\$ 29,126	\$ 51,255
Employee benefits	193,039	34,278	29,707	26,682	13,704	21,686
Purchased services/property	37,159	5,137	5,198	5,038		5,972
Supplies	95,141	13,051	11,578	11,703	6,136	11,972
Food	518,872	70,568	72,409	56,661	22,391	63,625
Other	9,425	1,315	1,236	1,222	644	1,134
USDA Commodities	25,778	2,246	1,826	2,512	331	1,871
Total expenditures	\$ 1,305,426	\$ 186,010	\$ 177,806	\$ 159,067	\$ 72,332	\$ 157,515
NET REVENUES (EXPENDITURES)	\$ (17,445)	\$ (23,234)	\$ (1,438)	\$ (12,127)	\$ (6,852)	\$ 2,665

FUND BALANCE, June 30, 2005

618,584

FUND BALANCE, June 30, 2006

\$ 601,139

EXHIBIT 12
(Continued)

CARBON SCHOOL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
SCHOOL LUNCH PROGRAM OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2006

	HELPER JR. HIGH	MONT HARMON JR. HIGH	CARBON HIGH	LIGHTHOUSE	CASTLE VALLEY CENTER
REVENUES:					
School lunch sales	\$ 24,997	\$ 63,306	\$ 50,101	\$ 921	\$ 11,849
State reimbursement	10,315	27,662	17,824	7,722	8,678
Federal reimbursement	50,606	129,122	86,727	40,863	45,544
Total revenues	\$ 85,918	\$ 220,090	\$ 154,652	\$ 49,506	\$ 66,071
EXPENDITURES:					
Salaries	\$ 29,511	\$ 47,280	\$ 57,587	\$ 7,042	\$ 33,695
Employee benefits	16,750	16,839	13,928	1,703	17,762
Purchased services/property	450	2,713	9,630		3,021
Supplies	6,745	10,193	15,137	1,426	7,200
Food	38,467	87,975	67,922	3,455	35,399
Other	653	1,046	1,274	156	745
USDA Commodities	1,176	3,640	9,562		2,614
Total expenditures	\$ 93,752	\$ 169,686	\$ 175,040	\$ 13,782	\$ 100,436
NET REVENUES (EXPENDITURES)	\$ (7,834)	\$ 50,404	\$ (20,388)	\$ 35,724	\$ (34,365)

**CARBON SCHOOL DISTRICT
ANALYSIS OF MEALS SERVED AND REVENUE RECEIVED
BREAKFAST AND SCHOOL LUNCH PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>NUMBER</u>	<u>SELLING PRICE</u>	<u>AMOUNT</u>
BREAKFAST PROGRAM -			
PAID MEALS SERVED CHILDREN:			
Elementary schools	19,426	0.75	\$ 14,569.50
Junior High schools	9,006	0.75	6,754.50
Secondary schools	5,897	0.75	4,422.75
	<hr/>		<hr/>
Total paid meals served children	34,329		\$ 25,746.75
	<hr/>		
PAID MEALS SERVED ADULTS:	7	1.00	7.00
	<hr/>		
REDUCED MEALS SERVED CHILDREN	14,698	0.30	4,409.40
	<hr/>		
EXTRA MILK	0		0.00
	<hr/>		
FREE MEALS SERVED CHILDREN	94,522		
	<hr/>		
FREE MEALS SERVED WORKERS:			
Free children	41		
Cooks	19		
	<hr/>		
Total free meals served workers	60		
	<hr/>		
Total meals and extra milk served	143,616		
	<hr/>		
ESTIMATED POTENTIAL REVENUE			\$ 30,163.15
			<hr/>
NET DIFFERENCE BETWEEN POTENTIAL AND AND ACTUAL REVENUE			294.50
			<hr/>
SCHOOL LUNCH SALES (Schedule 12)			\$ 30,457.65
			<hr/>

**CARBON SCHOOL DISTRICT
ANALYSIS OF MEALS SERVED AND REVENUE RECEIVED
BREAKFAST AND SCHOOL LUNCH PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006**

	NUMBER	SELLING PRICE	AMOUNT
SCHOOL LUNCH PROGRAM -			
PAID MEALS SERVED CHILDREN:			
Elementary schools	114,132	1.10	\$ 125,545.20
Junior High schools	56,041	1.25	70,051.25
Secondary schools	30,118	1.50	45,177.00
	<hr/>		<hr/>
Total paid meals served children	200,291		\$ 240,773.45
	<hr/>		
PAID MEALS SERVED ADULTS:	10,567	2.50	26,417.50
	<hr/>		
REDUCED MEALS SERVED CHILDREN	47,637	0.40	19,054.80
	<hr/>		
EXTRA MILK	4,770	0.25	1,192.50
	<hr/>		
OTHER - PRESCHOOL	2,194	1.10	2,413.40
	<hr/>		<hr/>
FREE MEALS SERVED CHILDREN	180,617		
	<hr/>		
FREE MEALS SERVED WORKERS:			
Paid children	593		
Reduced children	71		
Free children	118		
Cooks	4,538		
	<hr/>		
Total free meals served workers	5,320		
	<hr/>		
Total meals and extra milk served	451,396		
	<hr/>		
ESTIMATED POTENTIAL REVENUE			\$ 289,851.65
NET DIFFERENCE BETWEEN POTENTIAL AND AND ACTUAL REVENUE			<hr/> (421.78)
SCHOOL LUNCH SALES (Schedule 12)			<hr/> \$ 289,429.87

**CARBON SCHOOL DISTRICT
DETAIL SCHEDULE OF BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2006**

A detail payment schedule of all the bonds payable of Carbon County School District as of June 30, 2006 is set forth below:

CARBON COUNTY SCHOOL DISTRICT - SCHOOL BUILDING BONDS

SERIES 2003

YEAR ENDED JUNE 30,	TOTAL INTEREST REMAINING TO MATURITY	INTEREST PAYABLE ON		INTEREST RATE	PRINCIPAL SUM PAYABLE	
		DECEMBER 15,	JUNE 15,		JUNE 15,	AMOUNT
2007	\$ 175,625	\$ 28,788				
2008	118,050	24,400	\$ 28,788	2.25%	2007	\$ 390,000
2009	69,250	19,844	24,400	2.25%	2008	405,000
2010	29,563	14,781	19,844	2.50%	2009	405,000
2011			14,781	2.75%	2010	1,075,000
Totals		\$ 87,813	\$ 87,813			\$ 2,275,000

SERIES 1986

YEAR ENDED JUNE 30,	INTEREST RATE	PRINCIPAL SUM PAYABLE	
		JANUARY 1,	AMOUNT
2007	NO-INTEREST	2007	\$ 12,500
			\$ 12,500

SERIES 1989

YEAR ENDED JUNE 30,	TOTAL INTEREST REMAINING TO MATURITY	INTEREST PAYABLE ON		INTEREST RATE	PRINCIPAL SUM PAYABLE	
		DECEMBER 15,	JUNE 15,		JUNE 15,	AMOUNT
2006	\$ 250,560	\$ 61,020		7.15%	2007	\$ 520,000
2007	128,520	42,300	\$ 61,020	7.20%	2008	565,000
2008	43,920	21,960	42,300	7.20%	2009	610,000
2009			21,960	7.20%		
Totals		\$ 125,280	\$ 125,280			\$ 1,695,000

CARBON SCHOOL DISTRICT
DETAIL SCHEDULE OF BONDS PAYABLE
FOR THE YEAR ENDED JUNE 30, 2006

SERIES 2001

YEAR ENDED JUNE 30,	TOTAL INTEREST REMAINING TO MATURITY	INTEREST PAYABLE ON		INTEREST RATE	PRINCIPAL SUM PAYABLE	
		DECEMBER 15,	JUNE 15,		JUNE 15,	AMOUNT
2006	\$ 3,582,213	\$ 169,951		4.75%		
2007	3,242,311	169,951	\$ 169,951	4.75%		
2008	2,902,409	169,951	169,951	4.75%		
2009	2,562,507	169,951	169,951	4.75%		
2010	2,222,605	169,951	169,951	4.75%		
2011	1,882,703	158,076	169,951	4.75%	2011	\$ 500,000
2012	1,566,551	145,726	158,076	4.75%	2012	520,000
2013	1,275,099	132,783	145,726	4.75%	2013	545,000
2014	1,009,533	119,245	132,783	4.75%	2014	570,000
2015	771,043	104,995	119,245	4.75%	2015	600,000
2016	561,053	89,995	104,995	4.80%	2016	625,000
2017	381,063	74,155	89,995	4.80%	2017	660,000
2018	232,753	57,250	74,155	4.90%	2018	690,000
2019	118,253	39,125	57,250	5.00%	2019	725,000
2020	40,003	20,000	39,125	5.00%	2020	765,000
2021			20,000	5.00%	2021	800,000
Totals		\$ 1,791,105	\$ 1,791,105			\$ 7,000,000

SERIES 2002

YEAR ENDED JUNE 30,	TOTAL INTEREST REMAINING TO MATURITY	INTEREST PAYABLE ON		INTEREST RATE	PRINCIPAL SUM PAYABLE	
		DECEMBER 15,	JUNE 15,		JUNE 15,	AMOUNT
2006	\$ 950,275	\$ 66,594		4.20%		
2007	817,087	66,594	\$ 66,594	4.20%		
2008	683,899	66,594	66,594	4.20%		
2009	550,711	66,594	66,594	4.20%		
2010	417,523	66,594	66,594	4.20%		
2011	284,335	55,044	66,594	4.20%	2011	\$ 550,000
2012	174,247	42,681	55,044	4.30%	2012	575,000
2013	88,885	29,331	42,681	4.45%	2013	600,000
2014	30,223	15,113	29,331	4.55%	2014	625,000
2015			15,113	4.65%	2015	650,000
Totals		\$ 475,139	\$ 475,139			\$ 3,000,000

Total Bonds Payable

\$ 13,982,500

SMUIN, RICH & MARSING

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Board of Education
Carbon School District
Price, Utah 84501

**RE: Report on Legal Compliance with Applicable
Utah State Laws and Regulations**

We have audited the financial statements of Carbon School District for the year ended June 30, 2006 and have issued our report thereon dated November 3, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit guide for the year ended June 30, 2006.

The District received the following major State assistance program from the State of Utah.

Minimum School Program (State Office of Education)
State Liquor Tax (State Office of Education)

The District also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

Driver Training (State Office of Education)
Arts Education (Department of Health)
UPASS (State Office of Education)
Professional Development (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt	Budgetary Compliance
Cash Management	Property Tax
Purchasing Requirements	Other Compliance Requirements

The management of Carbon School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Carbon School District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Laura Ruth Marsing", is written over the printed name of the firm.

Price, Utah

November 3, 2006

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Carbon School District
Price, Utah 84501

RE: Report on Compliance and on Internal
Control Over Financial Reporting Based
on an Audit of Financial Statements Per-
formed in Accordance With Government
Auditing Standards

We have audited the financial statements of Carbon School District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

November 3, 2006

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Carbon School District
Price, Utah 84501

RE: Report on Compliance With Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Carbon School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements, laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of non-compliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Carbon School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

SMUIN, RICH & MARSING



Price, Utah

November 3, 2006

CARBON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL CFDA NUMBER	FEDERAL GRANTOR/PASS-THROUGH GRANTOR /PROGRAM TITLE	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2005	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2006
84.010	Title I - Child Low Income FY05	*	\$ 446,422	\$	212,846	\$ 212,846	
84.010	Title I - Child Low Income FY06	*	491,308		320,678	320,678	
84.013	Title I - Neglected and Delinquent		6,160		6,160	6,160	
84.027	P.L. 101476 Formula	*	807,292		807,292	807,292	
84.173	P.L. 99-457 EHA-B Preschool FY05		46,856		46,856	46,856	
84.298	TITLE VI - Curriculum		12,455		12,455	12,455	
84.215	FIE Earmark - Curriculum administration		10,000		10,000	10,000	
84.048	Vocational Education Title II B		69,213		69,213	69,213	
84.002	Adult Basic Education		63,755		63,755	63,755	
84.318	Technology Literacy Challenge		10,628		10,628	10,628	
84.186A	Drug-Free Schools		19,416		19,416	19,416	
84.367	Improving Teacher Quality FY06		214,334		160,366	160,366	
84.367	Improving Teacher Quality FY05		168,232		73,133	73,133	
	Total passed through State Department of Education		\$ 2,366,071	\$	1,812,798	\$ 1,812,798	\$
	Total Department of Education		\$ 2,366,071	\$	1,812,798	\$ 1,812,798	\$

CARBON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2005	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2006
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed through State Department of Agriculture:						
10.555	*	\$ 620,141		\$ 607,707	\$ 607,707	
10.553	*	168,924		168,924	168,924	
10.565		26,517		26,517	26,517	
10.665		1,928		1,928	1,928	
<u>Total Department of Agriculture</u>						
		\$ 817,510	\$...	\$ 805,076	\$ 805,076	\$...
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
Passed through State Department of Health and Human Services:						
93.778	*	\$ 330,164		\$ 330,164	\$ 330,164	
<u>Medical Assistance Program Title XIX</u>						
		\$ 330,164	\$...	\$ 330,164	\$ 330,164	\$...
<u>Total Department of Health and Human Services</u>						
		\$ 3,513,745	\$...	\$ 2,948,038	\$ 2,948,038	\$...
<u>Total Federal Assistance</u>						

* Tested as Major Program

CARBON SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of program activity of the District's federal award programs and does not necessarily present transactions that would be included in financial statements of the District presented on the modified accrual basis of accounting, as contemplated by generally accepted accounting principles

2. U.S.D.A. COMMODITIES

Nonmonetary assistance of U.S.D.A. commodities are reported in the schedule at the fair market value of the commodities consumed during the year. Market values are received monthly from U.S.D.A., detailing the market value of the goods received.

**CARBON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Carbon School District.
2. There were no reportable conditions or material weaknesses disclosed in internal control by the audit over the financial statements.
3. No instances of noncompliance material to the financial statements of Carbon School District were disclosed by the audit.
4. There were no reportable conditions or material weaknesses in internal control over major programs disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs for Carbon School District expresses an unqualified opinion.
6. The audit of Carbon School District's major programs disclosed no audit findings relating to major programs that the auditor is required to report.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA#</u>
School Lunch Program	10.555
Chapter 1 – Child Low Income	84.010
Special Education Program	84.027
Medical Assistance Program	93.778

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Carbon School District was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

**CARBON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Carbon School District had no prior audit findings that were required to be reported in the previous audited financial statements.

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

November 30, 2006

Honorable Board of Education
Carbon County School District
Price, Utah 84501

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Carbon County School District for the year ended June 30, 2006. Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems policies and procedures, this memorandum should not be considered all-inclusive. We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

INTERNAL CONTROLS AND STATE COMPLIANCE ISSUES

SCHOOL ACCOUNTING AND RECORDS

We reviewed all of the District's individual schools for proper recording of transactions and documentation to support monies received and disbursed. The schools are performing adequately except for the following items:

1. All public funds should be deposited daily when possible, or at least within three days of receipt. The following schools did not meet the required three-day deposit requirements:

Mont Harmon Jr. High
Castle Valley Center

Creekview Elementary

2. When testing cash disbursements we found a few instances where checks did not have supporting documentation available for review. The following schools had insufficient supporting documentation:

Peterson Elementary

Sally Mauro Elementary

SCHOOL ACCOUNTING AND RECORDS (Continued)

We recommend that the School District continue to provide help and assistance to the school Principals and secretaries for proper recording and handling of collections and disbursements. Training should be performed on a regular basis, with regular communication for any questions.

ADULT EDUCATION PROGRAM

While reviewing the State compliance for the Adult Education Program, we were required to test several areas and found four compliance issues that the District was not performing properly. (1) The District is required to report accurate participation (contact) hours for each enrollee – the submitted report was under reported for these hours. (2) The District is required to provide accurately the number of diplomas issued for enrollee and participant. The District reported total numbers accurately, but not accurately by the two different categories. (3) The District is required to report accurately the number of GED's issued during the year. The District also underreported the totals. (4) The District is required to report accurately the number of credits earned during the year. The District again underreported the number of credits earned. The original report submitted to the Utah State Office of Education was not accurate in most of the above categories because of improper formulas in certain cells in the spreadsheet program being used. The District has fixed the problem and resubmitted the new report.

We recommend that the District review the reporting requirements in relation to the Adult Education Program and ensure the numbers reported accurately reflect the activity performed. Additional calculations for testing formulas should be made to ensure that the numbers provided by the spreadsheet programs are accurate.

SUMMARY

We feel the accounting procedures and internal control items and the State compliance items mentioned above are some areas where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING



Price, Utah

November 30, 2006



December 11, 2006

Honorable Board of Education
Carbon County School District
Price, Utah 84501

Gentlemen:

This letter is in response to the "Management Letter" dated November 30, 2006 which you have received from Smuin, Rich, & Marsing.

SCHOOL ACCOUNTING AND RECORDS

The District Administration held a training meeting with all of the school secretaries at the beginning of the school year where the issues discussed in the Management Letter were addressed.

We continue to have problems with schools not making deposits on a timely basis. In our recent training meetings with secretaries we emphasized the importance of complying with this requirement and will also be meeting with principals to make sure that they follow through with their secretaries to make sure that this is getting done. We have cautioned secretaries and principals that failure to correct these problems will become part of their evaluations.

We will also follow up with principals and secretaries of all schools to remind them that all cash disbursements must have supporting documentation.

The problems with the Adult Education Program were on reports generated by one individual. We will be working with the individual involved and be double checking her work to make sure that those reports are completed accurately in the future.

We appreciate the auditor's comments and recommendations and are making every effort to implement the necessary improvements in our schools accounting and reporting systems.

Sincerely,

William A. Jewkes
Business Administrator